

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 10 – HB 15

April 5, 2017

SUMMARY OF ORIGINAL BILL: Exempts from state and local sales taxes, license plate registration fees and any motor vehicle privilege taxes, any motor vehicle sold, given, or donated to a veteran or active-duty service member who has a service-connected disability and who receives a United States Department of Veterans Affairs (USDVA) automobile grant.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – Net Impact – \$100,700

Decrease Local Revenue – \$6,000

SUMMARY OF AMENDMENT (006608): Deletes and replaces language of the bill to establish that the proposed state and local sales tax exemption only applies to the portion of the price of the vehicle that is in excess of the amount of the USDVA automobile grant received.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

NOT SIGNIFICANT

Assumptions for the bill as amended:

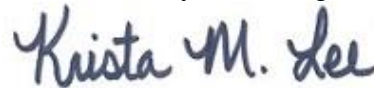
- An effective date of July 1, 2017.
- USDVA's Veteran Population Model estimates that Tennessee's veteran population will be 497,841 as of September of 2017, representing 2.36 percent of the total U.S. veteran population (21,065,561).
- The Veterans Administration FY16-17 budget estimates that 2,426 automobile grants will be awarded in FY17-18, at an average amount of \$27,409, for a total cost of \$66,494,234 (2,426 x \$27,409). The current maximum USDVA automobile grant allowance is \$20,235. Based on information provided in the USDVA's FY16-17 budget, it is assumed that the maximum grant allowance will be increased in subsequent years, relative to the current maximum automobile allowance. The average grant allowance for FY16-17 and each subsequent year is assumed to be \$27,409.
- It is estimated that an average of 57 grants (2,426 x 2.36%) will be awarded to veterans domiciled in Tennessee each year. It is further assumed that the grant is used to cover

the purchase price of the vehicle (\$25,537), as well as state and local sales taxes (\$1,872).

- The proposed exemption would only be triggered if the price of the vehicle exceeded \$25,537. It is assumed that very few, if any, of the 57 grant recipients will purchase a vehicle whose price is over \$25,537. Therefore, exempting the portion of the price of the vehicle that is in excess of the amount of the USDVA automobile grant received from the state and local sales taxes will not result in a significant decrease in state and local revenue.
- Pursuant to Tenn. Code Ann. § 55-4-237(a)(1), the Department of Revenue provides, free of charge, registration and license plates for any authorized motor vehicle that is registered in the name of or leased by a disabled veteran, or by the disabled veteran and the spouse of the disabled veteran, provided that such vehicle shall not be used for rehire or for any other commercial purpose.
- It is further assumed that such veterans are exempt under current law from any local motor vehicle privilege taxes. Under current law, a \$2.00 issuance fee is charged by the county clerks. It is estimated that such fee will continue to be imposed upon passage of this bill.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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